

BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS

IN THE MATTER OF
THE REPORT OF EXAMINATION OF
FIDELITY STANDARD LIFE
INSURANCE COMPANY

AID NO. 2006- 028

ADOPTION ORDER

Now on this day the matter of the Report of Examination ("Report" or "Report of Examination") as of December 31, 2005, of Fidelity Standard Life Insurance Company ("Company"), of Little Rock, Arkansas, NAIC #84018, is taken under consideration by Arkansas Insurance Commissioner Julie Benafield Bowman ("Commissioner"), as presented by Associate Counsel Sara Farris and the Finance Division of the Arkansas Insurance Department ("Department"). From the facts and law before her, the Commissioner finds as follows:

1. The Commissioner has jurisdiction over the Company and the subject matter involved herein.
2. The Company is an Arkansas-domiciled life and disability insurer.
3. Pursuant to Ark. Code Ann. §23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records and assets of the Company as of December 31, 2005.
4. The examination was commenced by the Department on March 6, 2006, and completed on March 30, 2006.
5. The verified Report of Examination was filed with the Department on May 5, 2006; it was forwarded to the Company via certified mail on May 5, 2006. The

Company received the Report on May 12, 2006, according to the certified mail receipt.

6. The Report of Examination contained the following discrepancies or deficiencies concerning the Company's operations:

(a) The Company does not report a reserve for Immediate Payment of Claims (IPC), which is required for policy reserves calculated on the basis that claim payments are made at the end of the year following the date of death. Approximately 30% of life reserves are calculated on the basis that claim payments are made at the end of the year following the date of death, and IPC reserves for those policies should be approximately \$2,300.

(b) The claims register for amounts paid through February 2006 showed that amounts paid in 2006 for claims incurred prior to December 31, 2005, were \$7,400. The Company reported no reserve for claims in the course of settlement and \$1,500 for claims incurred but not reported. Therefore, the liability was understated by \$5,900.

7. On May 25, 2006, the Company sent a letter in response to the draft Report of Examination. The Company stated that it would adjust its reserving methods to include the reserve noted in the Report and would look more closely at its accrual methods to determine appropriate liabilities on the reporting date. The Company's letter is attached as an exhibit to the Report.

THEREFORE, pursuant to the provisions of Ark. Code Ann. §23-61-205, the Commissioner hereby orders:

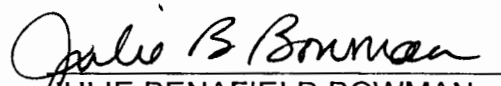
8. That the Examination Report, as filed with the Department, is hereby adopted.

9. That the Department shall forward a copy of this Order and the adopted Examination Report, as filed, to the Company, certified mail. The mailing to the Company shall include specimen affidavit forms for the Company's Directors to use in acknowledgement of receipt of the adopted Report of Examination and this Order.

10. That within twenty (20) days of receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each one of its Directors, stating under oath or affirmation that each has received and has read a copy of this Order and the adopted Examination Report;

11. That the adopted Examination Report shall be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order.

IT IS SO ORDERED this 21st day of June, 2006


JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS